

Let's Review: Define these terms in your own words:

Progressive taxes

Regressive taxes

## 5.1 Sales Tax

05/23/18

IWBAT consider various state sales taxes and practice calculating totals, taking exempt items into account, and understand why sales tax is considered regressive.

I will do this via capturing notes in Cornell notes format, whole class discussions to introduce and clarify key concepts, and completing practice problems collaboratively with teacher support.

## 5.1 Sales Tax

Every state except Alaska, Delaware, Montana, New Hampshire, and Oregon assesses a general sales tax.

**What is sales tax and for what are the monies used?**

Sales tax is

Sales taxes are used

IWBAT consider various state sales taxes and practice calculating totals, taking exempt items into account and understand why sales tax is considered regressive.

## 5.1 Sales Tax

Nontaxable Items  
(Tax Exempt)

Generally:

- unprepared food
- baby food
- bread
- medicine (prescription and over-the-counter)

Colorado

Taxable Items

All others, such as:

- ready-to-eat food (for example, cookies, chips, and frozen meals)
- appliances
- electronics
- furniture

IWBAT consider various state sales taxes and practice calculating totals, taking exempt items into account and understand why sales tax is considered regressive.

## 5.1 Sales Tax

Estimate sales tax

$$\begin{array}{r} \$53.96 \\ .54 \\ \times 3 \\ \hline \$1.62 \end{array}$$

1. First, add up the total of the taxable items.
2. Then, move the decimal left two places to get one percent of that price.
3. Finally, multiply that one percent by whatever number you need to arrive at the state sales tax percentage.

Colorado's state sales tax is 2.9%. What is the approximate sales tax on a purchase of \$129.50? How much is the total purchase cost? How much would this purchase cost in Montana?

IWBAT consider various state sales taxes and practice calculating totals, taking exempt items into account and understand why sales tax is considered regressive.

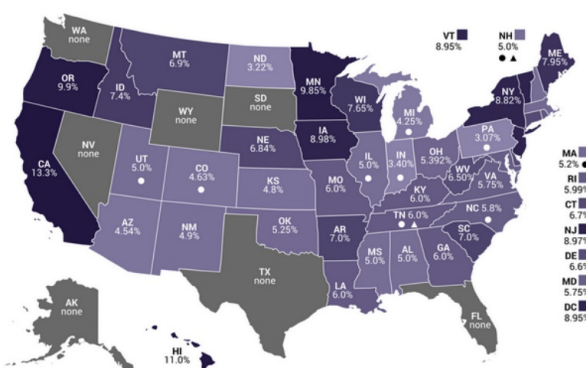
## 5.1 Sales Tax



General State Sales Tax Range	States
0%	Alaska, Montana, New Hampshire, Oregon, Delaware
2% to 4%	Colorado, Alabama, Georgia, Hawaii, Louisiana, New York, South Dakota, Wyoming
4.225% to 6%	Missouri, North Carolina, Oklahoma, Maine, North Dakota, Virginia, West Virginia, Kansas, New Mexico, Nebraska, Ohio, Arizona, Utah, Arkansas, Connecticut, Florida, Idaho, Iowa, Kentucky, Maryland, Michigan, Pennsylvania, South Carolina, Vermont, Washington
6.25% to 8.25%	Illinois, Massachusetts, Texas, Wisconsin, Nevada, Minnesota, Indiana, Mississippi, New Jersey, Rhode Island, Tennessee, California

### Top State Income Tax Rates

TAX FOUNDATION



Note: Map shows top marginal rates: the maximum statutory rate in each state. It represents the statutory tax rate on the last dollar of income earned for the highest income individuals in that state. It is not an effective marginal tax rate, which would include the effects of phase-outs of various tax preferences. Local income taxes are not included. Data as of Jan. 1, 2014. Published Mar. 25, 2014.

Source: State forms and instructions; Facts & Figures 2014: How Does Your State Compare?

Top Marginal Income Tax Rate  
Lower Rate Higher Rate

● State has a flat income tax structure  
▲ State only taxes interest and dividends income, not wages

[taxfoundation.org/maps](http://taxfoundation.org/maps)

IWBAT consider various state sales taxes and practice calculating totals, taking exempt items into account and understand why sales tax is considered regressive.

## 5.1 Sales Tax

### Other income sources for states:

Whenever you go through a tollbooth in order to use a specific highway, bridge, or tunnel, you are paying the state government for the use.

States tax property owners according to the value of their property. Many property owners find it frustrating that they will always have to pay for their property, even when they own it!

Lotteries raise money for states because the state does not pay the winner everything that the lottery raises. States with low or no sales tax often raise more money from lotteries.

States impose "sin taxes" on entertainment or goods that are considered bad to do or consume, like alcohol, tobacco, or gambling. Many people feel that individuals consuming these products are imposing a cost on society, so they should pay a tax to offset that cost.

IWBAT consider various state sales taxes and practice calculating totals, taking exempt items into account and understand why sales tax is considered regressive.

## 5.1 Sales Tax

### Sales tax practice problems

IWBAT consider various state sales taxes and practice calculating totals, taking exempt items into account and understand why sales tax is considered regressive.



**Why is sales tax considered a regressive tax?**

5.2 Coupons, Rebates, and Sales

IWBAT understand the effect of a coupon, rebate, or sale, and calculate the purchase total using a formula:  $(\text{item price} - \text{deduction}) + \text{tax}$ .

I will do this via capturing notes in Cornell notes format, whole class discussions to introduce and clarify key concepts, and completing practice problems collaboratively with teacher support.

## 5.2 Coupons, Rebates, and Sales

### Coupons -



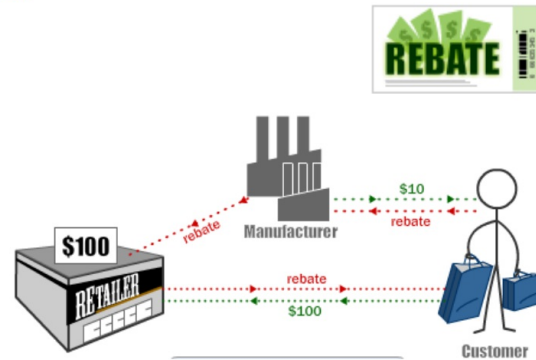
Because the retailer will eventually receive full price even when a coupon is used, sales tax must be paid on the *full* price of the item. In other words, the customer is expected to pay the tax on the full price of the item.

A box of cereal costs \$3.59, but you have a coupon for 40¢ off. In Colorado, how much will that box of cereal cost you?

IWBAT understand the effect of a coupon, rebate, or sale and calculate the purchase total using a formula: (item price – deduction) + tax.

## 5.2 Coupons, Rebates, and Sales

### Rebates -



You are buying a printer for \$189.99 and there is a \$40 rebate from the manufacturer. In Colorado, what will the printer cost you?

IWBAT understand the effect of a coupon, rebate, or sale and calculate the purchase total using a formula: (item price – deduction) + tax.

## 5.2 Coupons, Rebates, and Sales

Sales -



An outfit for your child costs \$52.28, but is on sale for 25% off. In Colorado, how much will the outfit cost?

IWBAT understand the effect of a coupon, rebate, or sale and calculate the purchase total using a formula: (item price – deduction) + tax.

## 5.2 Coupons, Rebates, and Sales

### Coupon:

Valid for certain items only

Can be used to promote a new item by encouraging customers to buy it

Might also be used to get rid of an older item that has been around too long

### Rebate:

Applies to a specific item

Good for a company, because a customer has to mail in documents to get the discount, and the customer may forget to do so

Could influence a customer when the customer is comparing similar products

IWBAT understand the effect of a coupon, rebate, or sale and calculate the purchase total using a formula: (item price – deduction) + tax.

## 5.2 Coupons, Rebates, and Sales

### Sale:

Can be valid for a group of items, for example, all men's clothing

Good for clearing a store of older items

Effective in drawing customers into a store

### Discount practice problems

IWBAT understand the effect of a coupon, rebate, or sale and calculate the purchase total using a formula:  $(\text{item price} - \text{deduction}) + \text{tax}$ .

## 6.1 How to Buy a Car

12/11/17

### Where do you start when you want to buy a car?

Look @ Credit Score

Insurance

Car Dealership

CarMax ↗

Carfax / KBB

Manufacturer Website



IWBAT learn how dealerships calculate cost, evaluate financing options, and study dealer incentives.

I will do this via capturing notes in Cornell notes format, whole class discussions to introduce and clarify key concepts, and completing practice problems collaboratively with teacher support.

## 6.1 How to Buy a Car

### Three kinds of auto pricing

**Invoice** - price paid by the dealer to the manufacturer

**MSRP** - Manufacturer Suggested Retail Price  
includes a healthy profit

**Book value** - based on what people actually pay

**Kelly Blue Book**  
<http://www.kbb.com/>

**Edmunds**  
<http://www.edmunds.com/>

**TrueCar**  
<https://www.truecar.com/#/>

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## 6.1 How to Buy a Car

### 2004 Honda CR

Style: **EX Sport Utility 4D** | Mileage: **127000** | [Change](#)

[Edit options](#) | [Check specs](#)

Trade In to a Dealer | Get an Instant Cash Offer | Sell to a Private Party

**Trade-in Value: \$4,444**

TRADE-IN RANGE: \$3,980 - \$4,907

**Good Condition**

Trade-in Values valid for your area through 12/3/2015  
Track this car's values

### 2004 Honda CR-V

Style: **EX Sport Utility 4D** | Mileage: **127000** | [Change](#)

[Edit options](#) | [Check specs](#)

Trade In to a Dealer | Get an Instant Cash Offer | Sell to a Private Party

**Good Condition: \$5,752**

PRIVATE PARTY RANGE: Fair Condition - Very Good Condition

**Good Condition**

Private Party Values valid for your area through 12/3/2015  
Track this car's values

**Next Step: Find a Car**  
Browse reviews, photos, specs and more.

[See what you should pay](#)

**Search by Category**  
[Select](#)

**Sell Your Current Car**  
Reach millions of buyers on KBB.com and AutoTrader.com

[Place an ad](#)

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## 6.1 How to Buy a Car

Car prices:  
Sticker price - (Monroney sticker)

## CHEVROLET

### 2012 CHEVROLET VOLT

EXTERIOR: WHITE DIAMOND TRICOAT | ENGINE: RANGE EXTENDER, 1.4L  
INTERIOR: JET BLACK/CERAMIC WHITE | ELECTRIC DRIVE UNIT, VOLTEC  
ACCENTS

Visit us at [www.chevy.com](http://www.chevy.com)

#### STANDARD EQUIPMENT

- 5 YEAR / 100,000 MILE BATTERY AND VOLTEC COMPONENT LIMITED WARRANTY (SEE DEALER FOR DETAILS)
- 5 YEAR / 100,000 MILE POWERTRAIN LIMITED WARRANTY (SEE DEALER FOR DETAILS)

#### MECHANICAL

- BATTERY, PROPULSION, LITHIUM ION
- ELECTRIC DRIVE UNIT, VOLTEC
- ENGINE, RANGE EXTENDER, 1.4L INTERNAL COMBUSTION ENGINE
- TIRE SEALANT & INFLATOR KIT IN PLACE OF SPARE TIRE

#### SAFETY & SECURITY

- NAMED A 2012 TOP SAFETY PICK BY THE INSURANCE INSTITUTE FOR HIGHWAY SAFETY

#### EXTERIOR

- AIRBAGS, DUAL-STAGE FRONTAL, SIDE-IMPACT & KNEE FOR DRIVER AND FRONT PASSENGER
- AIRBAGS, ROOF RAIL, SIDE-IMPACT FOR FRONT AND REAR OUTBOARD SEATING POSITIONS
- ANTILOCK BRAKE SYSTEM, 4 WHEEL DISC
- REAR CHILD SEAT LATCH ANCHORS
- THEFT DETERRENT SYSTEM, CONTENT THEFT ALARM
- DAYTIME RUNNING LAMPS
- STABILITRAK™ STABILITY CONTROL INCLUDES TRACTION CONTROL
- REMOTE KEYLESS ENTRY WITH REMOTE START
- PEDESTRIAN FRIENDLY ALERT
- POWER DOOR LOCKS WITH LOCKOUT PROTECTION
- HEADLAMPS, AUTO ON/OFF
- TIRE PRESSURE MONITOR
- KEYLESS ACCESS

#### INTERIOR

- 3 YRS ONSTAR DIRECTIONS & CONNECTIONS W/ AUTOMATIC CRASH RESPONSE, TURN-BY-TURN NAVIGATION, MYVOLT.COM, AND ONSTAR REMOTE LINK ASK DEALER ABOUT GEOGRAPHIC COVERAGE
- MIRRORS, OUTSIDE HEATED, POWER ADJUSTABLE, BODY COLOR
- WHEELS, 17" FORGED PAINTED ALUMINUM
- COLOR TOUCH RADIO WITH 7" SCREEN, 6 SPEAKERS
- AUXILIARY AUDIO INPUT JACK
- FLOOR MATS, CARPET FRONT/REAR
- INSIDE REARVIEW MIRROR

#### OTHER

- AUTO DIMMING
- STEERING COLUMN, TILT & TELESCOPING
- VISORS, ILLUMINATED VANITY MIRRORS
- EFFICIENCY DISPLAY SCREENS W/ PROGRAMMABLE CHARGE TIMES
- STEERING WHEEL RADIO CONTROLS
- CRUISE CONTROL
- FRONT BUCKET SEATS
- REAR SEAT, 40/40 SPLIT FOLDING SEATBACK
- POWER WINDOWS EXPRESS DOWN, DRIVER EXPRESS UP
- USB PORT
- XM RADIO + SERVICE SUBSCRIPTION SOLD SEPARATELY BY SILENCUS AFTER 3 MONTHS
- BLUETOOTH FOR PHONE
- CHARGE CORD, 120 V PORTABLE

#### EPA DOT Fuel Economy and Environment

**Electricity** 100 MPGe  
**Gasoline** 37 MPGe

**Annual fuel cost \$1,000**

**Smog Rating 10**

#### GOVERNMENT 5-STAR SAFETY RATINGS

**Overall Vehicle Score \*\*\*\*\***

**Frontal Crash \*\*\*\*\***

**Side Crash \*\*\*\*\***

**Rollover \*\*\*\*\***

Star ratings range from 1 to 5 stars (\*\*\*\*\* with 5 being the highest). Source: National Highway Traffic Safety Administration (NHTSA) [www.safercar.gov](http://www.safercar.gov) or 1-888-327-4236

#### OPTIONS & PRICING

STANDARD VEHICLE PRICE	MANUFACTURER'S SUGGESTED RETAIL PRICE
\$39,145.00	\$49,470.00

**TOTAL VEHICLE PRICE\*** \$49,470.00

#### PARTS CONTENT INFORMATION

FOR VEHICLES IN THIS CARLINE: U.S./CANADIAN PARTS CONTENT: 46% MAJOR SOURCES OF FOREIGN PARTS CONTENT: KOREA 18%

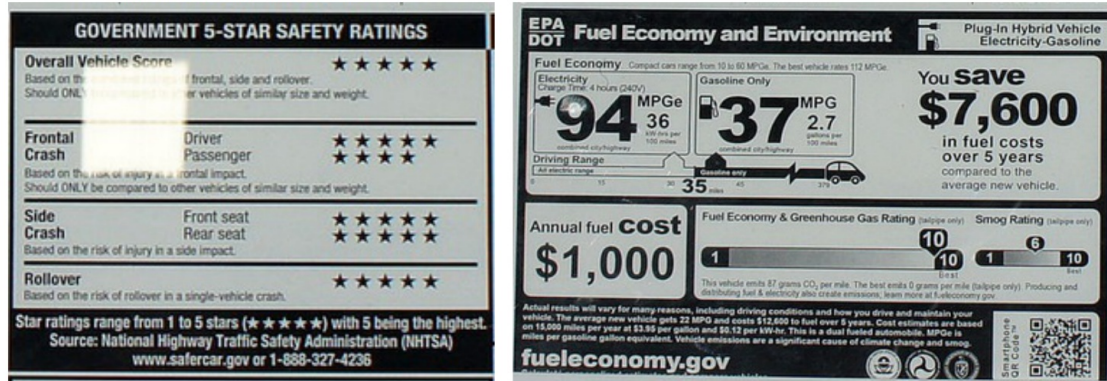
NOTE: PARTS CONTENT DOES NOT INCLUDE FINAL ASSEMBLY, DISTRIBUTION, OR OTHER NON-PARTS COSTS.

FOR THIS VEHICLE: FINAL ASSEMBLY POINT: DETROIT, MI U.S.A. COUNTRY OF ORIGIN: ENGINE: UNITED STATES TRANSMISSION (ELECTRIC DRIVE UNIT): UNITED STATES

IWBAT learn how dealerships calculate cost, evaluate financing options, and study dealer incentives.



## 6.1 How to Buy a Car Window Sticker



IWBAT learn how dealerships calculate cost, evaluate financing options, and study dealer incentives.

## 6.1 How to Buy a Car Window Sticker

<p><b>STANDARD EQUIPMENT</b></p> <p>ITEMS LISTED BELOW ARE INCLUDED AT NO EXTRA CHARGE IN THE STANDARD VEHICLE PRICE SHOWN.</p> <ul style="list-style-type: none"> <li>• 8 YEAR / 100,000 MILE BATTERY AND VOLTAGE COMPONENT LIMITED WARRANTY SEE DEALER FOR DETAILS</li> <li>• 5 YEAR / 100,000 MILE POWERTRAIN LIMITED WARRANTY SEE DEALER FOR DETAILS</li> </ul> <p><b>MECHANICAL</b></p> <ul style="list-style-type: none"> <li>• BATTERY, PROPULSION, LITHIUM ION.</li> <li>• ELECTRIC DRIVE UNIT, VOLTEC</li> <li>• ENGINE, RANGE EXTENDER, 1.4L INTERNAL COMBUSTION ENGINE</li> <li>• TIRE SEALANT &amp; INFLATOR KIT IN PLACE OF SPARE TIRE</li> </ul> <p><b>SAFETY &amp; SECURITY</b></p> <ul style="list-style-type: none"> <li>• NAMED A 2012 TOP SAFETY PICK BY THE INSURANCE INSTITUTE FOR HIGHWAY SAFETY</li> </ul>	<ul style="list-style-type: none"> <li>• AIRBAGS, DUAL-STAGE FRONTAL, SIDE-IMPACT &amp; KNEE FOR DRIVER AND FRONT PASSENGER</li> <li>• AIRBAGS, ROOF RAIL SIDE-IMPACT FOR FRONT AND REAR OUTBOARD SEATING POSITIONS</li> <li>• ANTILOCK BRAKE SYSTEM, 4 WHEEL DISC</li> <li>• REAR CHILD SEAT LATCH ANCHORS</li> <li>• THEFT DETERRENT SYSTEM, CONTENT THEFT ALARM</li> <li>• DAYTIME RUNNING LAMPS</li> <li>• STABILITRAC-STABILITY CONTROL INCLUDES TRACTION CONTROL</li> <li>• REMOTE KEYLESS ENTRY WITH REMOTE START</li> <li>• PEDESTRIAN FRIENDLY ALERT</li> <li>• POWER DOOR LOCKS WITH LOCKOUT PROTECTION</li> <li>• HEADLAMPS, AUTO ON/OFF</li> <li>• TIRE PRESSURE MONITOR</li> <li>• KEYLESS ACCESS</li> </ul>	<ul style="list-style-type: none"> <li>• 3 YRS ONSTAR DIRECTIONS &amp; CONNECTIONS W/ AUTOMATIC CRASH RESPONSE, TURN-BY-TURN NAVIGATION, MYVOLTCOM, AND ONSTAR REMOTELINK (ASK DEALER ABOUT GEOGRAPHIC COVERAGE)</li> </ul> <p><b>EXTERIOR</b></p> <ul style="list-style-type: none"> <li>• MIRRORS, OUTSIDE HEATED, POWER ADJUSTABLE, BODY COLOR</li> <li>• REAR WINDOW DEFROSTER</li> <li>• WINDSHIELD WIPERS VARIABLE &amp; INTERMITTENT</li> <li>• WINDSHIELD, SOLAR ABSORBING</li> <li>• WHEELS, 17" FORGED PAINTED ALUMINUM</li> </ul> <p><b>INTERIOR</b></p> <ul style="list-style-type: none"> <li>• COLOR TOUCH RADIO WITH 7" SCREEN, 6 SPEAKERS</li> <li>• AIR CONDITIONING, AUTOMATIC</li> <li>• AUXILIARY AUDIO INPUT JACK</li> <li>• FLOOR MATS, CARPET FRONT/REAR</li> <li>• INSIDE REARVIEW MIRROR,</li> </ul>	<p><b>AUTO DIMMING</b></p> <ul style="list-style-type: none"> <li>• STEERING COLUMN, TILT &amp; TELESCOPING</li> <li>• VISORS, ILLUMINATED VANITY MIRRORS</li> <li>• EFFICIENCY DISPLAY SCREENS W/ PROGRAMMABLE CHARGE TIMES</li> <li>• STEERING WHEEL RADIO CONTROLS</li> <li>• CRUISE CONTROL</li> <li>• FRONT BUCKET SEATS</li> <li>• REAR SEAT, 40/40 SPLIT FOLDING SEATBACK</li> <li>• POWER WINDOWS EXPRESS DOWN, DRIVER EXPRESS UP</li> <li>• USB PORT</li> <li>• XM RADIO + SERVICE SUBSCRIPTION SOLD SEPARATELY BY SIRIUSXM AFTER 3 MTHS</li> <li>• UNIVERSAL HOME REMOTE</li> <li>• BLUETOOTH FOR PHONE</li> </ul> <p><b>OTHER</b></p> <ul style="list-style-type: none"> <li>• CHARGE CORD, 120 V PORTABLE</li> </ul>
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## 6.1 How to Buy a Car Window Sticker

Visit us at [www.chevy.com](http://www.chevy.com)

OPTIONS & PRICING		TOTAL VEHICLE PRICE* \$45,470.00
MANUFACTURER'S SUGGESTED RETAIL PRICE		
STANDARD VEHICLE PRICE	\$39,145.00	
OPTIONS INSTALLED BY THE MANUFACTURER (MAY REPLACE STANDARD EQUIPMENT SHOWN)		
AUDIO SYSTEM WITH NAVIGATION, DVD ROM AND 30GB AUDIO HARD DRIVE STORAGE	1,995.00	
PREMIUM TRIM PKG INCLUDES:	1,395.00	
• LEATHER APPOINTED SEATING, PERFORATED		
• HEATED FRONT SEAT, DRIVER AND PASSENGER		
• LEATHER WRAP STEERING WHEEL		
WHITE DIAMOND TRICOAT	995.00	
POLISHED ALUMINUM WHEELS	595.00	
BOSE PREMIUM SPEAKER SYSTEM	495.00	
TOTAL OPTIONS	\$5,475.00	
TOTAL VEHICLE & OPTIONS	\$44,620.00	
DESTINATION CHARGE	850.00	

### Dealer markup

$$\text{Price Advertised} - \text{Invoice Price} = \text{Profit}$$

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## 6.1 How to Buy a Car Trade-in

Know the value of your current vehicle which you are replacing.

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## 6.1 How to Buy a Car

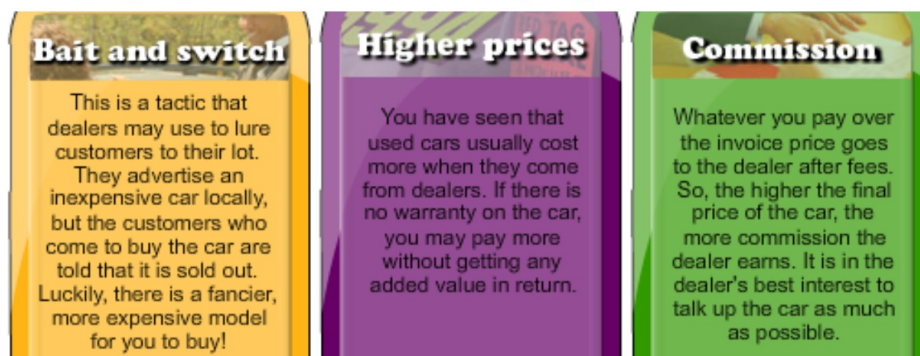
### Negotiating

- 1) Look at the sticker price. Is it comparable to the book value on KBB?
  - Yes/Less room to bargain
  - No/More room to bargain
- 2) Calculate the markup from the invoice and sticker prices. Is it high or low?
  - High/More room to bargain
  - Low/Less room to bargain
- 3) Do you have a trade-in?
  - Yes/Discount
  - No/No discount

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## 6.1 How to Buy a Car

What pitfalls are there to buying from a dealer?



### Flipping a car

$$\text{Sale price} = \text{Purchase price} + \text{repairs} + \text{profit}$$

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## 6.1 How to Buy a Car Incentives



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## 6.1 How to Buy a Car

1) Fill out the form My Current Car with what you know about the vehicle you drive or ride in most often. Go online to [www.kbb.com](http://www.kbb.com) and look up your used car's value for both a trade-in and private sale.

2) Fill out the Make, Model, & Body style for a car you would like to have for your family. Answer the Why question at the bottom of the page.

*Four Corners on Body Style*

- *SUV, Minivan, Sedan, Truck*

*Primary Concern mFB*

- *Capacity, Safety, Economy*

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## 6.1 How to Buy a Car

How would you fund the purchase of a car?

- ☐ Save money over time and buy the car with your own cash
- ☐ Borrow money from a parent, friend, or relative
- ☐ Get a loan from your bank and pay off the loan over time
- ☐ Make a down payment and get a loan from the dealership or manufacturer

Dealer financing	Bank loans
<ul style="list-style-type: none"><li>Loans often front-load interest payments</li><li>Dealer incentives</li><li>Convenience</li><li>High pressure to finance additional car options</li><li>Allows spontaneous weekend or night purchase</li></ul>	<ul style="list-style-type: none"><li>Lower interest rate</li><li>Personal service</li><li>Preapproval recommended</li><li>Interest usually paid evenly throughout loan</li></ul>

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## 6.1 How to Buy a Car

### Balloon payment

Very small monthly payments for many months, but the final payment is the remaining principal.

$$\begin{array}{r} \$199 \\ \times 72 \\ \hline \$14,328 \\ \text{in pmts} \end{array} \quad \begin{array}{r} \$22,100 \\ - 14,328 \\ \hline \$7,772 \\ \text{one last payment} \end{array}$$



**\$199/Month**  
for 72 months on this \$22,100 car

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## 6.1 How to Buy a Car

3) Search online for a place to buy your Next car in Colorado. Once you find one, go to kbb.com and find the value of the vehicle for the private seller or car dealer (where ever you found the vehicle for sale).

4) Answer the trade-in/private sale questions on the Current side of the paper. Discuss your decision and reasoning with a partner.

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## 6.1 How to Buy a Car

Jerry's new car has a list price of \$22,415. The sales tax in Jerry's state is 8.75%, and he is responsible for a \$1,925 vehicle licensing fee and a \$79 documentation fee. Jerry plans to make a down payment of \$3,000 and finance the rest at an interest rate of 10.86%, compounded monthly. If Jerry's financing plan spans three years, what will his monthly payment be?

$$\begin{array}{r} \$22415 \\ \times .0875 \\ \hline \$1961.32 \end{array}$$
$$\begin{array}{r} \$22415.00 \\ + 1961.32 \\ \hline \$24376.32 \end{array}$$
$$\begin{array}{r} \$24376.32 \\ - 3000.00 \\ \hline \$21376.32 \end{array}$$
$$\begin{array}{r} \$1825 + 79 = \$2004 \\ \$21376.32 \\ + 2004.00 \\ \hline \$23380.32 \\ \text{To finance} \end{array}$$

*TVM Solver*

$$\begin{array}{l} N = 36 \\ I\% = 10.86 \\ PMT = ? \\ FV = 0 \\ P/Y = 12 \\ C/Y = 12 \\ PMT \rightarrow \boxed{END} \end{array}$$

*Alpha+Enter*

$$\left\{ \begin{array}{l} \$763.90 \\ (35 \text{ pmts}) \\ \$763.55 \\ (last \text{ pmt}) \end{array} \right\}$$

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## 6.1 How to Buy a Car

Renee is going to buy a new car that has a list price of \$19,675. She will be responsible for \$1,420 in vehicle registration fees, \$85 in documentation fees, and 8.92% sales tax. She plans to trade in her current car, a 2002 Buick LeSabre in good condition, and finance the rest of the cost over four years at an interest rate of 6.34%, compounded monthly. If the dealer gives Renee the full listed trade-in value for her car, what will her monthly payment be?

$$\begin{array}{r}
 \text{Trade-in Value} \quad \$85 + 1420 = \$1505 \\
 \$19675 \quad \text{KBB} \quad \$21430.01 \\
 \times 0.0892 \\
 \hline
 \$1755.01 \\
 + 19675 \\
 \hline
 \$21430.01 \\
 \hline
 \end{array}$$

$$\begin{array}{r}
 \$1505 \\
 + 1805 \\
 \hline
 \$21935.01 \\
 - 497 \\
 \hline
 \$21438.01
 \end{array}$$

\$506.82 per mo

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## 6.1 How to Buy a Car

Tessa is going to purchase a new car that has a list price of \$29,190. She is planning on trading in her good-condition 2008 Dodge Dakota and financing the rest of the cost over four years, paying monthly. Her finance plan has an interest rate of 7.73%, compounded monthly. Tessa will also be responsible for 7.14% sales tax, a \$1,235 vehicle registration fee, and a \$97 documentation fee. If the dealer gives Tessa 75% of the listed trade-in price on her car, once the financing is paid off, what percent of the total amount paid will the interest be?

$$\begin{array}{r}
 \text{Trade-In} \quad \text{KBB} \\
 \$5689 (.75) = \$4266.75 \\
 \$29190 \quad \text{Fees} \quad \$1235 + 97 = \$1332 \\
 \times 0.0714 \text{ TAX} \quad \$31274.17 \\
 \hline
 \$2084.17 \\
 + 29190 \\
 \hline
 \$31274.17 \\
 \hline
 \end{array}$$

$$\begin{array}{r}
 \$4266.75 \\
 + 1332 \\
 \hline
 \$32606.17 \\
 - 4266.75 \\
 \hline
 \$28339.42
 \end{array}$$

monthly payment  
\$688.27  
14.22%

$$\begin{array}{r}
 \$688.27 \times 48 = \\
 \$33036.96 \text{ total} \\
 - 28339.42 \\
 \hline
 \$4697.54 \text{ Interest} \\
 \hline
 \$4697.54 \\
 \$33036.96 \\
 \hline
 0.14219
 \end{array}$$

IWBAT learn how dealerships calculate cost, evaluate financing options, and study dealer incentives.

IWBAT understand the house-buying process, learn about different mortgage loans, and study escrow and what goes into the total house payment.

I will do this via capturing notes in Cornell notes format, whole class discussions to introduce and clarify key concepts, and completing practice problems collaboratively with teacher support.

## 6.2 Buying a House

Considerations of Home Ownership

Pros	Cons
<ul style="list-style-type: none"><li>• Pride of ownership</li><li>• An investment that can potentially make you money for when you sell</li><li>• Tax savings (you can deduct a portion of your mortgage payment from your taxes, but you cannot deduct rent)</li><li>• Control over your environment (you can do almost anything you want to your own home and garden, but in a rental you have to abide by the landlord's rules)</li></ul>	<ul style="list-style-type: none"><li>• When you take out a mortgage you're stuck with a very large debt, and you're responsible for paying off that debt unless you sell your house</li><li>• While you have the freedom to change your home in any way, You're also responsible for all of the maintenance. That can be hard work and very costly.</li><li>• It's not always easy to move if you want to. Unless you're very wealthy, you'll need to sell your home before you can move away.</li></ul>

IWBAT understand the house-buying process, learn about different mortgage loans, and study escrow and what goes into the total house payment.

## 6.2 Buying a House

### Real Estate Agents

Benefits of using a real estate agent	Drawbacks of using a real estate agent
Can save time by narrowing down the list of homes to consider	Buyers may pay commission
Can determine if a home is fairly priced	Agent may not negotiate lowest possible price (because of commission)
Can act as an advocate in negotiations and write up the contract	Buyers probably won't meet sellers
Can point out potential problems in a house	If not an expert, agent may not know enough to offer buyers good advice

Only real estate agents have direct access to the MLS (Multiple Listing Service), but much of the same information is available elsewhere.

**Realtor.com**

**Zillow.com**

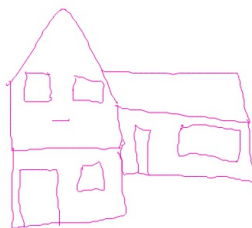
IWBAT understand the house-buying process, learn about different mortgage loans, and study escrow and what goes into the total house payment.

## 6.2 Buying a House

### Comps (Comparable houses)

Same features (BA, BR, Fireplace, garage,...)  
Similar SQFT

- 1) Age
- " Layout
- " yard
- " Neighborhood



**Realtor.com**

**Zillow.com**

IWBAT understand the house-buying process, learn about different mortgage loans, and study escrow and what goes into the total house payment.



## 6.2 Buying a House

### Mortgages

**Secured Debt** – collateral has been used to acquire the loan

**Term** – how long you have to pay off the loan  
30 year, 15 year, 40 year

#### Rate

##### Fixed-rate mortgages

- Higher initial interest rate
- Interest rate stays the same
- Good for long-term owners
- Require higher credit rating

##### Adjustable-rate mortgages

- Lower initial interest rate
- Interest rate changes after initial period
- Good for short-term owners
- Offered to buyers with lower credit rating

5-25  
7yr ARM

IWBAT understand the house-buying process, learn about different mortgage loans, and study escrow and what goes into the total house payment.

## 6.2 Buying a House

### Mortgages

**Escrow** – money set aside every month as a part of your mortgage payment to pay property taxes

#### Jigsaw Article

**Default** – you have stopped paying on your loan long enough for the lender to take action (usually ~90 days)

**Foreclosure** – bank actions to recover the money owed on the mortgage (remaining balance)

IWBAT understand the house-buying process, learn about different mortgage loans, and study escrow and what goes into the total house payment.



## 6.2 Buying a House

### Mortgages

**Down payment** money paid at the time of purchase  
usually 20%, but can be lower

**PMI** - Private mortgage insurance  
needed if you owe  $\geq 75\%$  of the home's value

**80/20 Mortgage** Lender 1 loans you 80% of the home's  
value as a mortgage  
Lender 2 loans you 20% of the  
home's value as a down payment

IWBAT understand the house-buying process, learn about different mortgage loans, and study escrow and what goes into the total house payment.

## 6.2 Buying a House

**Closing** The signing of the paperwork to buy the  
house (finally)

### Closing Fees

Nonrecurring	Recurring
Processing	Mortgage
Points	Property taxes
Appraisal	Private mortgage insurance (PMI)
Title	Homeowners insurance

IWBAT understand the house-buying process, learn about different mortgage loans, and study escrow and what goes into the total house payment.

## 6.3 Buying, Renting, & Leasing

12/20/17

### What do these terms mean?

**Buy** It's yours until you sell it, donate it, or die

**Rent** you pay to use something for a "short" time

**Lease** you pay to use something for a long time  
(1 yr +)

**Finance** you borrow money and pay it back  
over time

## 6.3 Buying, Renting, & Leasing

IWBAT understand the terms of a lease, learn what is involved in renting a car, and assess the costs and benefits of buying, leasing, or renting.

I will do this via capturing notes in Cornell notes format, whole class discussions to introduce and clarify key concepts, and completing practice problems collaboratively with teacher support.

## 6.3 Buying, Renting, & Leasing

No fixed ownership period	No use restrictions	No maintenance or repair costs
At the end of the payment period, you own the item	No depreciation	
Cheaper in the long run	Lower initial out-of-pocket expenses	
Easier than getting financing		

### Rent/Lease

no maintenance or repair cost.  
lower initial out-of-pocket expenses  
no depreciation  
easier than getting financing

### Buy (Finance)

No fixed ownership period  
no use restrictions  
own after paying  
cheaper in long run

IWBAT understand the terms of a lease, learn what is involved in renting a car, and assess the costs and benefits of buying, leasing, or renting.

## 6.3 Buying, Renting, & Leasing

### 2010 Apex Coupe

#### Lease Offer

Well-equipped with automatic transmission and premium package. Includes destination charge.



\$399\*/month for 36 months

- \$399 first month's payment
- \$2800 down payment
- \$350 security deposit
- \$725 acquisition fee
- \$4214 cash due at signing

### Lease penalty

\$0.20 /mi  
x 6000 mi  
\$1200

### Mileage allowance

10000 mi/yr  
30000 mi/lease

\*Lease financing available on 2010 Apex vehicles, only at participating Apex centers on leases assigned to Apex Financial Services NA, LLC/Financial Services Vehicle Trust through April 30, 2010. Monthly lease payments of \$339.00 for 36 months based on MSRP of \$35,500.00 (includes Premium Package, Automatic Transmission, and Destination). Total lease payments are \$12,204.00. Excludes tax, title, license, acquisition, and registration fees. Lessee must cover insurance and all items not covered under the Apex Maintenance Program. At lease end, lessee will be liable for disposition fee (\$350.00), any excess wear and use as set forth in the lease agreement, and excess mileage charges of \$0.20 per mile for miles driven in excess of 10,000 miles per year. Purchase option at lease end for \$21,655.00 excludes taxes. Lessee acquires no ownership interest unless purchase option is exercised. See participating Apex centers for details and vehicle availability.

IWBAT understand the terms of a lease, learn what is involved in renting a car, and assess the costs and benefits of buying, leasing, or renting.



## 6.3 Buying, Renting, & Leasing

### Buy vs. Lease

	New car — paid off in 5 years	New car — paid off in 10 years	Lease
Monthly payment	\$477.99	\$253.31	\$341.39
Total cost after 3 years	\$17,207.64	\$9119.16	\$12,290.04
Total cost after 12 years	\$28,679.40	\$30,397.20	\$51,659.20

Why might it be better to lease rather than buy?

Cheaper monthly  
a new car every 3 years  
image  
they take care of basic maint.

IWBAT understand the terms of a lease, learn what is involved in renting a car, and assess the costs and benefits of buying, leasing, or renting.

## 6.3 Buying, Renting, & Leasing

### Car Rental 1 hr → 3 mo

definite term  
more expensive

In addition to the basic costs of rental, there are additional fees that you may or may not want (or need) to add. For example:

- Renting larger or fancier models or renting one way instead of round trip can increase the rental fee.
- Returning a car late or without refilling the gas tank can add significant costs to the final bill.
- Renters under the age of 25 are charged more for a rental.
- *Options* that add extra fees include a collision damage waiver (CDW), which pays for car damages arising from a collision, and a loss damage waiver, which covers costs due to accidental damage or theft.

IWBAT understand the terms of a lease, learn what is involved in renting a car, and assess the costs and benefits of buying, leasing, or renting.

## 6.3 Buying, Renting, & Leasing

**When should you:** (answer in complete sentences)

Buy You should buy a car (cheap) until you have a career.

Lease You should lease when you have the down payment but want a lower monthly payment, or you have a career and want to show off a new car.

Rent You should rent a car when travelling or need one for a short time like to go to an interview.

**IWBAT understand the terms of a lease, learn what is involved in renting a car, and assess the costs and benefits of buying, leasing, or renting.**

## 6.4 Consumer Purchases & Agreements

01/09/17

### Purchase Agreement -

The terms to which you agree to abide to use a product.

Terms of Service  
Warranty/Guaranty  
User Agreement

YOUR USE OF THE APEX TUNESTER SERVICES IS GOVERNED BY THIS LEGAL AGREEMENT. TO USE THESE SERVICES YOU MUST AGREE TO THESE TERMS, BY CLICKING "AGREE." IF YOU DO NOT ACCEPT THE TERMS OF THE LEGAL AGREEMENT AND USE THE SERVICES, DO NOT CLICK THE "AGREE" BUTTON. YOU ARE SOLELY RESPONSIBLE FOR ENSURING THAT YOUR ACCOUNT INFORMATION AND ACCESS REMAINS SECURE. YOU ARE ACCOUNTABLE FOR ALL ACTIVITIES THAT OCCUR ON YOUR ACCOUNT. APEX TUNESTER SHALL NOT BE RESPONSIBLE FOR ANY LOSSES ARISING OUT OF THE UNAUTHORIZED USE OF YOUR ACCOUNT.



## 6.4 Consumer Purchases & Agreements

IWBAT explore and apply the PACED model to consumer purchases, examine buyer and rental agreements, and study financing agreements.

I will do this via capturing notes in Cornell notes format, whole class discussions to introduce and clarify key concepts, and completing practice problems collaboratively with teacher support.

## 6.4 Consumer Purchases & Agreements

**Rental Agreement** - You agree to rent something under their rules, condition of item is important

What would you rent, why, and for how long?

Car	1w → mo
house/apt	1 mo → yr
furniture	1wk → to own
electronics	1wk → to own
pets	hours → days
bouncy house	hours

IWBAT explore and apply the PACED model to consumer purchases, examine buyer and rental agreements, and study financing agreements.

## 6.4 Consumer Purchases & Agreements

Any rental agreement will include:

- Names of the parties of the agreement
- The starting date and duration of the agreement
- The specific object being rented (identified by street address or serial or other identification number)
- Conditions for renewal or nonrenewal
- A specific payment schedule (for example, a lump sum or periodic payments) for granting the use of this object
- Provisions for a security deposit and terms for its return
- Other conditions. For example:
  - Insurance for loss
  - Restrictions on use
  - Which party is responsible for maintenance

IWBAT explore and apply the PACED model to consumer purchases, examine buyer and rental agreements, and study financing agreements.

## 6.4 Consumer Purchases & Agreements

Financing Agreement -

Loan Agreement Terms	
Word	Meaning
Co-signer	Taking back property paid for with a loan if the loan is in default
Default	Someone who also signs the loan and is equally responsible for repayment
Repossession	Promise to pay
Prepayment penalty	Failure to pay back a loan
Collateral	Property used to secure a loan
Promissory note	A fee assessed when the loan is repaid early

IWBAT explore and apply the PACED model to consumer purchases, examine buyer and rental agreements, and study financing agreements.

## 6.4 Consumer Purchases & Agreements

Any loan agreement will include:

- Names of the lender and the borrower
- Promise (promissory note) to pay amount borrowed plus any additional charges and interest
- Breakdown of the loan:
  - Amount
  - Amount financed
  - Finance charges
  - Total of payments
  - Annual rate
- Repayment terms:
  - Payment amount
  - Number of payments
  - Start date
  - Ending date
  - Frequency
- Any prepayment penalties for paying off the loan early
- Late charge — specifies the grace period and the amount of the late charge
- Security — collateral
- Default — outlines action in case of default, such as additional interest, fees, or repossession.
- Co-borrowers — cosigners who are equally responsible for the loan

IWBAT explore and apply the PACED model to consumer purchases, examine buyer and rental agreements, and study financing agreements.

## 6.4 Consumer Purchases & Agreements

PACED decision making tool:

1. Define the *problem*
2. List the *alternatives*
3. Select *criteria*
4. *Evaluate* the alternatives
5. Make a *decision*

Problem -

Alternatives -

IWBAT explore and apply the PACED model to consumer purchases, examine buyer and rental agreements, and study financing agreements.

## 6.4 Consumer Purchases & Agreements

Criteria -

Evaluate -

Decide -

IWBAT explore and apply the PACED model to consumer purchases, examine buyer and rental agreements, and study financing agreements.

## 6.4 Consumer Purchases & Agreements

Next Week:  
Tuesday, unit test

Wednesday, review for final

?Friday, 8:00 AM final exam

IWBAT explore and apply the PACED model to consumer purchases, examine buyer and rental agreements, and study financing agreements.



Insurance Terms	
Term	Meaning
Life insurance	Pays for medical expenses such as physician visits, medications, and tests
Health insurance	Provides beneficiaries a sum upon the insured person's death
Auto insurance	Pays for damages and medical costs in the event of a vehicular accident
Long-term care insurance	Covers damage or theft of personal property in an apartment
Renters insurance	Pays for in-home or institutional care if a person is disabled

## 6.6 Insurance

IWBAT study various forms of insurance, learn what factors affect insurance premiums, and assess when certain forms of insurance are needed.

I will do this via capturing notes in Cornell notes format, whole class discussions to introduce and clarify key concepts, and completing practice problems collaboratively with teacher support.

## 6.6 Insurance

Premium: *Monthly price/cost/payment*

### Factors affecting Auto Insurance Premiums:

<i>Driving record</i>	<i>Age of driver</i>
<i>Credit (not legal to use)</i>	<i>Gender</i>
<i>How many drivers covered</i>	<i>Married</i>
<i>Late payments</i>	<i>Location of home</i>
<i>Type of car</i>	<i>Length of commute</i>
<i>Number of cars</i>	<i>Where you park</i>

IWBAT study various forms of insurance, learn what factors affect insurance premiums, and assess when certain forms of insurance are needed.

## 6.6 Insurance

Liability: *What you are responsible for paying*

Type of coverage	What is covered
bodily injury liability	medical bills, rehabilitation costs, and lost income for those injured by the policy holder
property damage liability	damages done to the property of others (does not include the property of the policy holder)
collision coverage	damages done to the vehicle of the policy holder (covers collision with another vehicle or object, such as a mailbox)
comprehensive coverage	damages done to the vehicle of the policy holder (not due to a collision, such as when a tree falls on a car in a storm, or a window is broken in an act of vandalism.)

Deductible: *the money you owe before insurance pays for the rest*

IWBAT study various forms of insurance, learn what factors affect insurance premiums, and assess when certain forms of insurance are needed.

## 6.6 Insurance

### Renter's Insurance:

*no floods* { covers the contents/your stuff, but not the building  
Cheap, often  $< \$20/\text{mo}$

### Property/Homeowner's Insurance:

*covers: stuff, building, outbuildings, home office  
a few \$100/mo*

Actual (Current) Value vs. Replacement Cost:

IWBAT study various forms of insurance, learn what factors affect insurance premiums, and assess when certain forms of insurance are needed.

## 6.6 Insurance

Life Insurance: *pays your beneficiaries in the event of your demise*

Group Life Insurance		Individual Life Insurance	
PROS	CONS	PROS	CONS
<b>Cost:</b> Cheap	<b>Non-transferable:</b> If you stop working for the company, your coverage stops.	<b>Control:</b> You personally own and control your policy.	<b>Qualifications:</b> You must prove insurability (that is, be healthy).
<b>Ease:</b> If you buy life insurance through your employer, you can deduct it directly from your paycheck.	<b>Limited coverage:</b> Usually, the amount paid is capped at twice the salary amount.	<b>Unlimited:</b> There are no coverage limits; you can buy a policy that will pay out as much money as you want.	<b>Higher premium:</b> Individual life insurance is more expensive than group.
<b>Reduced premium:</b> Often, your employer will cover a portion of the premium.	<b>Cannot be purchased for family:</b> Group life insurance can only be purchased for the employee (unlike health insurance, which can often extend to include dependents).	<b>Longer coverage:</b> Your coverage could last a lifetime.	
<b>Guaranteed insurability/coverage:</b> You do not have to meet any minimum qualifications to get coverage.		<b>Transferable:</b> Not tied to employment	
<b>Same cost for all employees:</b> The plan's cost is split evenly among all employees, so everyone pays the same premium regardless of age or health status.		<b>Choices:</b> A range of options available	

IWBAT study various forms of insurance, learn what factors affect insurance premiums, and assess when certain forms of insurance are needed.

## 6.6 Insurance

### Term Life vs. Permanent Life:

*whole*  
Term: for a limited number of years (say 20), can renew, can cash out  
whole: from now until you die as long as you pay

Health Insurance: *pays so you can see doctors*  
*sickness/illness, injury, wellness*

Managed Care Plans Comparison

Health Maintenance Organization (HMO)	Preferred Provider Organization (PPO)
<ul style="list-style-type: none"><li>• Requires a primary care physician (PCP) who manages and coordinates all health care.</li><li>• All tests and specialists must be preapproved and referred by the primary care physician.</li><li>• Patient is usually responsible for all or most of the cost of using a physician outside of the HMO plan.</li></ul>	<ul style="list-style-type: none"><li>• Can see any physician who is a member of the plan's network. No PCP is required.</li><li>• No referral is required to see any specialist in the PPO network.</li><li>• Using a physician outside of the PPO network results in higher costs for the patient.</li></ul>

IWBAT study various forms of insurance, learn what factors affect insurance premiums, and assess when certain forms of insurance are needed.

## 6.6 Insurance

### Long-Term Care

#### Basic Activities of Daily Living

- Climb out of bed
- Walk to the bathroom
- Get dressed
- Eat breakfast
- Hygiene (bathing, grooming, shaving, toothbrushing)
- Continence (using the bathroom)
- Dressing
- Eating (the ability to feed oneself)
- Transferring (actions such as going from a seated to standing position and getting in and out of bed)

*Long-term care* insurance pays for a certified nurse to visit your home, any medical modification to the home, or the cost of a facility (such as a nursing home). Long-term care premiums increase with age, and insurability is dependent on current health, so it is important to get it while you're relatively young and healthy.

IWBAT study various forms of insurance, learn what factors affect insurance premiums, and assess when certain forms of insurance are needed.



## 6.6 Insurance

Insurance Terms			
	Term		Meaning
A	Health insurance	1	Insurance that pays for doctors, hospital care, and medications
B	Life insurance	2	A monthly payment to an insurance company
C	Liability insurance	3	Insurance that pays for in-home or institutional care if someone is disabled
D	Long-term care insurance	4	The amount a person must pay before insurance coverage begins
E	Deductible	5	Insurance that pays out cash to beneficiaries after someone dies
F	Premium	6	Insurance that pays for car-related damage and injury
G	Auto insurance	7	Insurance that pays for accidental damage or injury for which someone is responsible

IWBAT study various forms of insurance, learn what factors affect insurance premiums, and assess when certain forms of insurance are needed.

## 6.6 Insurance

Find an insurance quote for your new car. Do not use your actual name in/on the quote request.

IWBAT study various forms of insurance, learn what factors affect insurance premiums, and assess when certain forms of insurance are needed.

## 6.7 Retirement

1/12/18

What does it mean to retire and when will you do it?

*Retire?! I'm Not Even Employed Yet!*

You stop working + collect money from the years  
you already worked

Collect Soc Sec 67.5 yrs old for full benefits

## 6.7 Retirement

IWBAT understand IRA accounts and 401(k)s,  
understand the major distinction between Roth and  
traditional retirement accounts, and compare various  
retirement account options.

I will do this via capturing notes in Cornell notes  
format, whole class discussions to introduce and clarify  
key concepts, and completing practice problems  
collaboratively with teacher support.

## 6.7 Retirement

### Saving for retirement

401(K)/403(B)  
*through your employer*  
*403(b) - non-profit only*

IRA  
*through a bank*

### Traditional IRA

- Generally, you cannot access the money in the account until you are 59.5 years old.
- Under age 50, you may deposit \$5000 annually. After age 50, you may deposit \$6000 annually.
- The money in the IRA grows *tax free*, but once you withdraw the money it is taxed as regular income.

IWBAT understand IRA accounts and 401(k)s, understand the major distinction between Roth and traditional retirement accounts, and compare various retirement account options.

## 6.7 Retirement

### 401(K)/403(B)

Like an IRA, the money you contribute is tax-free.

There is a cap on contributions: up to \$16,500 for people under 50 and \$22,000 a year after that.

Often, your employer matches your contributions. For example, if you contribute \$1000, your employer might contribute \$500.

The employer money is also contributed tax-free — it is free money!

Withdrawals are taxed like ordinary income, like an IRA.

Withdrawals can begin at 59.5 years of age.

IWBAT understand IRA accounts and 401(k)s, understand the major distinction between Roth and traditional retirement accounts, and compare various retirement account options.

## 6.7 Retirement

### Traditional vs. Roth

When you save through a traditional retirement account, you pay no taxes on your money until you withdraw it. That means you have more money to save — which means you have more money that can grow, thanks to investments in stocks, bonds, and money market accounts.

When you save through a Roth retirement account, you pay taxes up front — and nothing at all when you withdraw your money. Even though you have less money to put away, when it's time to actually withdraw your cash, you pay no extra taxes.

Which is better?

IWBAT understand IRA accounts and 401(k)s, understand the major distinction between Roth and traditional retirement accounts, and compare various retirement account options.

## 6.7 Retirement

### Traditional vs. Roth

Roth 401(k) plans work exactly like regular 401(k) plans, except that the money is taxed when you contribute, rather than when you withdraw the money.

People generally pay less in taxes when they are younger because as they begin to earn more, they are taxed at a higher rate. For this reason, many people prefer the Roth 401(k) option, so that they pay the taxes at the lower rate.

IWBAT understand IRA accounts and 401(k)s, understand the major distinction between Roth and traditional retirement accounts, and compare various retirement account options.



## 6.7 Retirement

### Traditional vs. Roth

<p>Contributions to a traditional IRA are capped at \$5000 if you are under 50.</p> <p>Flip</p> <p><b>Traditional IRA</b></p>	<p><b>Roth IRA</b></p> <p>Contributions to a Roth IRA are capped at \$5000 or at your taxable income, whichever is lower. For example, if you earn only \$2000 in taxable income, you can contribute at most \$2000 to your account.</p>	<p>There are income caps on who can contribute to a traditional IRA tax-free.</p> <p>Flip</p> <p><b>Traditional IRA</b></p>	<p><b>Roth IRA</b></p> <p>There are income caps on who can contribute to a Roth IRA at all. For example, if you are single and earn more than \$105,000, you are no longer eligible to make the maximum contribution.</p>
<p>If you withdraw money from your traditional IRA before you are <math>59\frac{1}{2}</math>, you pay serious penalties.</p> <p>Flip</p> <p><b>Traditional IRA</b></p>	<p><b>Roth IRA</b></p> <p>Distribution laws for Roth IRAs are much more liberal. For example, you can withdraw up to \$10,000 to buy a primary residence as a first-time homeowner without being penalized.</p>	<p>You must start withdrawing money from your traditional IRA at <math>70\frac{1}{2}</math>, or the government will confiscate half.</p> <p>Flip</p> <p><b>Traditional IRA</b></p>	<p><b>Roth IRA</b></p> <p>Roth IRAs have no mandatory withdrawals, so they can be passed on to a spouse or to your heirs after your death.</p>

Which is better?

IWBAT understand IRA accounts and 401(k)s, understand the major distinction between Roth and traditional retirement accounts, and compare various retirement account options.

## 6.7 Retirement

### Traditional vs. Roth

Will you be making more when you're 65 than you make today? If your guess is "yes," you'll choose a Roth retirement account. If your guess is "no," you'll choose a traditional account. Which guess is right? Like all guesses, there's no way to know for sure. But most people do wind up making more money over the course of their careers, which means that a Roth account is usually the best option.

There are exceptions, though. For example, what if you expect to be working for 10 years, and then become a stay-at-home parent? Will you be making more at 65 than you're making today?

When you put money in an IRA, you hope to earn interest. With a traditional IRA, you are required to pay taxes on these earnings when you withdraw money. With a Roth IRA, this money is not taxed.

IWBAT understand IRA accounts and 401(k)s, understand the major distinction between Roth and traditional retirement accounts, and compare various retirement account options.

## 6.7 Retirement

**Answer these questions in Schoology: Financial Algebra 2: Consumer Purchasing: Retirement Check (green puzzle piece icon)**

When should you start saving for retirement?

How much should you save out of each paycheck?

IWBAT understand IRA accounts and 401(k)s, understand the major distinction between Roth and traditional retirement accounts, and compare various retirement account options.